

To: Montana House of Representatives FRET Committee
From: Conor Darby, Independent Power Systems, Bozeman
Re: SB 226 Opponent Testimony

3/21/11

I am Conor Darby of Bozeman and my career focus for the last 10 years has been on small-scale, consumer-owned photovoltaic and wind energy systems. I'm the general manager of Independent Power Systems -or- (IPS), a renewable energy design and installation firm in business for 15 years and currently employing 10 people. I also currently serve as President for the Montana Renewable Energy Association. To say that Senate Bill 226 will undermine the past progress and future potential of my industry and my company in Montana is an understatement, and I urge you to vote against this bill.

Montana is already significantly trailing the leading states in one of the fastest-growing energy industries in the world; we as a state should be prioritizing growth in this area to not only increase our competitive advantage in the national market, but simply to take advantage of one of the greatest economic opportunities available to us at this time. Instead, we are still discussing a bill that, if passed, will be a major step backward for the Montana renewable energy industry, the long-term sustainability of our energy supply mix, and our economy as a whole.

In net-metering, the 1-1 unit value of energy exchange between a customer-generator and the utility is widely recognized as the standard across the United States. Why would we depart from a standard that is agreed upon by the rest of the policy makers and market designers in our country?

About this bill: the bill sponsor seeks to charge net-metering customers for transmission and distribution (T+D) values of the energy that they bank on the grid and then use at a later date, claiming that if this is not done, then the cost of that energy's T+D is born by other ratepayers, and thus is a subsidy. Of the 10 cent retail rate of a kiloWatt-hour, 4 cents of it is the T+D charge. If this bill passes, it will be equivalent to enacting a 40% tax on energy production from small scale solar and wind systems, and here's why.

First, there is ZERO transmission of a net-metered electron. Transmission occurs on the high voltage side of the utilities' distribution transformers- net-metered electrons are consumed on the distribution network only. This is a fact.

Second, the distribution of a net-metered electron is minimal. The bill sponsor has claimed that 'we don't know where those electrons are going'. I can tell you that they are going to the consumer-generator's nearest neighbors. Electricity flows like water: when a net-metered system is putting electricity back on the grid, those electrons are attracted to the nearest load- they don't travel past loads and over long distances. If the goal is to rectify inequities in our energy distribution system, why not address true sources of disparity, such as when rate-payers pay the same T+D charges whether they live 5 miles or 5 city blocks from the utility's distribution transformers?

Third, the utility does not lose any revenue as the law exists now. In fact, if this bill is passed the utility will make double the revenue on net-metered electrons when they resell them to other rate-payers. Currently, when a consumer-generator puts energy back on the grid during overproduction, the utility sells it to their neighbor at the full retail rate, including the T+D charge. With this bill, the customer-generator would also start paying for T&D charges. This is effectively a double sell- and a subsidy of the utility. So it is no surprise that the utility is a proponent of this bill, and has avoided trying to quantify this so-called 'subsidy' since the bill was first introduced in the Senate.

Lastly, this bill ignores the long list of benefits that net-metered systems provide to the grid, the most prominent being that they reduce the load of the utility during peak demand periods, resulting in less energy the utility has to procure from central production

facilities and transmit hundreds of miles over transmission lines. If there is a small benefit to consumer-generators for using the grid as their capacitor, it is outweighed by the benefit of these systems to both the utility and the rate-payers.

Now I'd like to draw your attention to the economic opportunity that is at stake here. The 1999 Montana Legislature established the Net Metering Statute. 90% of my company's annual revenue has been comprised of grid-tied systems since, and we have installed 220 systems in those 11 years. 85 of those systems were installed in 2009 and 2010- a clear demonstration of the recent rise in demand. And this is not a Republican or Democrat investment, people from all political persuasions are installing their own systems for dozens of reasons. They want ownership of their own energy, just like their car, home, or business. They want to make a financial return on their investment, hedge future utility rate increases, or increase the value of their property. The list goes on.

On the supply side, the number of Montana companies in this line of work has recently jumped to 40, compared to about a dozen 5 years ago. Many of them are former builders or electricians seeking a Plan B since the collapse of our local construction industry. Isn't this a better option than the thousands of Montanans who have moved out of state to find construction work in other markets? My company employs design engineers, marketing and sales associates, project managers, and electricians. These are year-round, high-paying, technical jobs and the majority of our employees are homeowners and buying local goods and services. In addition, we subcontract with architects, engineers, builders, electrical contractors, roofers, concrete companies, and excavators. State and Federal agencies, permitting offices, and electrical inspectors are also all working on our projects.

So today I ask you, Mr. Chairman and members of the committee, to please recognize the vast economic opportunity inherent in this industry, and protect it by voting in opposition to this bill. Thank you and with your permission I'd like to submit copies of my testimony to your staff.